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Gazprom announces gas price rises for Belarus, Moldova and Armenia

On 3 September, the deputy head of Gazprom, Andrei Kruglov, stated that from next year the price of gas for Belarus, Moldova and Armenia will be raised to European levels. If this comes about, this would be the final stage in the Russian company's departure from its policy of giving price discounts to some CIS states. It remains possible that the plan to raise gas prices for Belarus, in connection with the expected resistance from Minsk, may lead to another Russian/Belarusian gas crisis, even more so as relations between both countries have already been tense for several months.

The price of gas for Moldova has already reached a level comparable to that of European customers, and currently stands at US$260 per 1000 cubic meters (tcm). The announcement by Gazprom's deputy head is thus principally of importance for Belarus and Armenia, which buy Russian gas at discounted prices (currently US$194 and US$180 respectively). It may be expected that both Yerevan and Minsk, in connection with their increasingly difficult budget situations, will strive for the discounts to be continued. However, the Russian/Belarusian gas contract signed on 31 December 2006 states that from 2011, the so-called European price (for customers in Europe with exception of CIS zone and Baltic states, according to Gazprom in first quarter of this year around US$285) will come into effect. Compromise is unlikely, as Russia is interested in continuing to weaken Alyaksandr Lukashenka before his country's presidential elections, which must take place no later than 7 February next year. In this situation, it cannot be ruled out that the Belarusian leader may bring the elections forward, or deliberately bring about another gas crisis with Russia, in order to consolidate the Belarusian public around him by means of anti-Russian slogans. <WojK>